

Message Text

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ORIGIN EB-11

INFO OCT-01 AF-10 EUR-25 ISO-00 CIAE-00 COME-00 DODE-00

FMC-04 INR-10 NSAE-00 RSC-01 CG-00 COA-02 DLOS-06

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EUR/EE:HJGILMORE

AF/N:WWEISLOGEL

EXIMBANK:JMCDONNEL

EUR/EE:ESEGAL

----- 076916

R 220051Z DEC 73

FM SECSTATE WASHDC

TO AMEMBASSY BELGRADE

AMEMBASSY TRIPOLI

INFO AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY ROME

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E.O. 11652: N/A

TAGS: ETRN, ETRD, ELAB, LY

SUBJECT: LIBYAN BOYCOTT OF US FLAG VESSELS AND EXIMBANK
SHIPMENTS

REF: (A) TRIPOLI 1572 (B) STATE 243796

1. REFTEL B INFORMED AMEMBASSY TRIPOLI THAT AMERICAN
EXPORT LINES HAD SUSPENDED US-FLAG SERVICE TO LIBYA BECAUSE
OF THE OCTOBER 21 CALL FOR A BOYCOTT OF ALL AMERICAN-FLAG
VESSELS BY THE LIBYAN GENERAL FEDERATION OF LABOR UNIONS.
REFTEL A CONFIRMED THAT THE BOYCOTT WAS "BEING ENFORCED",
ALTHOUGH US-FLAG VESSELS, INCLUDING THOSE OF LYKES LINES
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WHICH IN THE PAST MADE STOPS ON AN IRREGULAR BASIS WHEN
CARGO WARRANTED, ARE NO LONGER CALLING.

2. THE SUSPENSION OF REGULAR US-FLAG SERVICE AS A RESULT

OF THE BOYCOTT THREAT HAS CAUSED A PARTICULAR DIFFICULTY UNDER PUBLIC RESOLUTION 17 WITH RESPECT TO CARGOES GENERATED UNDER AN EXIMBANK COOPERATIVE FINANCING FACILITY (CFF) ARRANGEMENT WITH THE JUGOBANKA (YUGOSLAVE STATE BANK). THE LATTER HAS AUTHORIZED CREDIT TO THE IVAN MILUTONOVIC CONSTRUCTION COMPANY FOR THE PURCHASE OF US EQUIPMENT TO BE USED IN THE CONSTRUCTION OF THE PORT AT MISRATAH, LIBYA (ESTIMATED COST - 20 MILLION POUNDS STERLING). UNDER PR-17, 100 PERCENT OF ALL EXIMBANK-FINANCED

CARGOES MUST BE CARRIED ON AMERICAN FLAG BOTTOMS, WHEN AVAILABLE. A RECIPIENT COUNTRY CAN, HOWEVER, REQUEST A GENERAL WAIVER FROM THE MARITIME ADMINISTRATION (MARAD) WHEREBY ITS NATIONAL FLAG VESSELS CAN PARTICIPATE IN UP TO 50 PERCENT OF THE CARRIAGE OF CARGOES GENERATED UNDER A SPECIFIC LOAN. A GENERAL WAIVER CAN ONLY BE AUTHORIZED UPON REQUEST AND ONLY AFTER A FINDING THAT THE RECIPIENT COUNTRY DOES NOT DISCRIMINATE AGAINST US-FLAG VESSELS. FREIGHT CHARGES FOR CARGO CARRIED ON US-FLAG CARRIERS ARE REIMBURSEABLE UNDER THE LOAN ARRANGEMENTS BY THE EXIMBANK. CHARGES FOR CARGOES CARRIED ON AUTHORIZED FOREIGN VESSELS, HOWEVER, ARE BORNE BY THE RECIPIENT.

3. PRESENTLY, INTERNATIONAL HARVESTER HAS AN ORDER UNDER THE CFF CREDIT FOR \$1.4 MILLION WORTH OF HEAVY DUTY TRUCKS (40) AND OTHER EQUIPMENT. THE COMPANY EXPECTS TO MAKE ITS FIRST SHIPMENT IN JANUARY. MARAD HAS INSTRUCTED INTERNATIONAL HARVESTER TO SHIP THE CARGO ABOARD US-FLAG VESSELS TO AN APPROPRIATE EUROPEAN MEDITERRANEAN PORT FOR TRANSHIPMENT TO LIBYA. REPORTEDLY, HOWEVER, THE YUGOSLAV FIRM IS UNHAPPY WITH THIS SITUATION SINCE IT WILL HAVE TO BEAR THE UNEXPECTED TRANSSHIPMENT EXPENSES. THE USG, OF COURSE WOULD PREFER THAT THE BOYCOTT THREAT BE RESCINDED TO ENABLE US-FLAG VESSELS TO TRANSPORT THEIR CARGOES DIRECTLY TO LIBYAN PORTS. HOWEVER, WE HAVE NO LEVERAGE TO BRING ABOUT THIS DESIRED CHANGE, AND IT IS MOST UNLIKELY THAT THE LAR WOULD BE RECEPTIVE TO USG REPRESENTATIONS FOR THE LIMITED OFFICIAL USE
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REMOVAL OF THE BOYCOTT THREAT. MOREOVER, WE DO NOT WISH TO EXACERBATE THE SITUATION BY TAKING ANY UNILATERAL COUNTER-MEASURES WHICH WOULD BE OF DOUBTFUL EFFECTIVENESS AND WHICH WOULD SERVE ONLY TO DAMAGE OUR OWN COMMERCIAL INTERESTS FURTHER. THEREFORE, MARAD WILL ENFORCE THE US-FLAG REQUIREMENT AND REQUIRE THAT ALL EXIMBANK-FINANCED, LIBYAN-DESTINED CARGOES BE SHIPPED ON US-FLAG VESSELS TO AN APPROPRIATE MEDITERRANEAN PORT FOR TRANSSHIPMENT THEREAFTER. THIS PRACTICE IS CONSISTENT WITH CURRENT US POLICY UNDER PR-17 WHEREIN EXIMBANK CARGOES DESTINED FOR COUNTRIES WHERE THERE IS NOT US-FLAG SERVICE AT PRESENT ARE CARRIED BY AMERICAN VESSELS TO A SUITABLE TRANSHIP-

MENT POINT.

4.(A) FOR BELGRADE: THE YUGOSLAV GOVERNMENT PURCHASING AGENCY FOR THE CONSTRUCTION FIRM IN THE US HAS MENTIONED ITS CONCERN THAT THE LIBYAN GOVERNMENT MAY CANCEL THE PORT CONSTRUCTION CONTRACT BECAUSE OF ANY DELAYS IN MOVING AHEAD ON THE PROJECT. CONSIDERING THE CHIMERICAL NATURE OF MANY LIBYAN ACTIONS THIS POSSIBILITY SHOULD NOT BE

DISREGARDED AND MAY, IN FACT, BE REASON ENOUGH FOR THE YUGOSLAVS TO APPROACH THE LIBYANS ON THE BOYCOTT PROBLEM. HOWEVER, MOST LIKELY THIS CONCERN IS PROMPTED IN PART BY THE DESIRE OF THE YUGOSLAVS TO OBTAIN A STATUTORY WAIVER FROM MARAD TO SHIP THE INTERNATIONAL HARVESTER MATERIAL ON A FOREIGN-FLAG VESSEL AND STILL BE REIMBURSED FOR THE FREIGHT COSTS BY THE EXIMBANK. NEVERTHELESS, THE EMBASSY SHOULD, AT ITS DISCRETION, DISCUSS THE PROBLEM WITH THE YUGOSLAV FOREIGN MINISTRY INDICATING THE USG DECISION HAS BEEN TAKEN RELUCTANTLY BUT THAT NO OTHER VIABLE ALTERNATIVE WAS AVAILABLE IN LIGHT OF THE LIBYAN BOYCOTT AGAINST US-FLAG VESSELS. MOREOVER, AS APPROPRIATE, YOU SHOULD ADD THAT IF THEY CONSIDER THE PROBLEM TO BE SERIOUS, THEY MAY WISH TO DISCUSS THE MATTER WITH THE LIBYANS AND POINT OUT THAT THE CURRENT BOYCOTT IS AS DETRIMENTAL TO LIBYAN INTERESTS AS TO THOSE OF OTHER NATIONS. SPECIFICALLY, THE GOJ AND JUGOBANKA MIGHT WISH TO REQUEST LAR FOR AMENDMENT OF CONTRACT SO AS TO PASS ON TO LAR ADDED TRANSHIPMENT COSTS THE BOYCOTT MAY CAUSE.

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(B) FOR TRIPOLI: THE EMBASSY, AT ITS DISCRETION, MAY VERBALLY INFORM APPROPRIATE OFFICIALS IN THE FOREIGN MINISTRY THAT IN LIGHT OF THE DECLARED BOYCOTT OF US-FLAG VESSELS, AMERICAN-FLAG VESSELS HAVE BEEN UNABLE TO CALL AT LIBYAN PORTS WITH THEIR CARGOES FOR THAT COUNTRY. AS A RESULT, THOSE EXIMBANK-FINANCED AMERICAN EXPORT SHIPMENTS MADE UNDER THE CFF CREDIT WITH THE JUGOBANKA TO THE IVAN MILUTONOVIC CONSTRUCTION COMPANY WILL BE TRANSPORTED TO AN APPROPRIATE EUROPEAN MEDITERRANEAN PORT ON AMERICAN-FLAG CARRIERS WHERE THEY WILL BE OFFLOADED FOR ON CARRIAGE TO LIBYA. THE EMBASSY MAY FURTHER STATE THAT THE INTERRUPTION OF US-FLAG SERVICE TO LIBYA IS MOST UNFORTUNATE AND ANY INCONVENIENCE OR DELAY CAUSED THE YUGOSLAV COMPANY CONSTRUCTING THE PORT AT MISRATAH BECAUSE OF THE LIBYAN-IMPOSED BOYCOTT IS TO BE REGRETTED. YOU MAY CONCLUDE BY INDICATING THAT AT SUCH TIME THE GENERAL FEDERATION OF LABOR UNIONS WISHES TO REVOKE THEIR BOYCOTT THREAT AND PROVIDE ASSURANCES THAT AMERICAN-FLAG VESSELS WILL BE TREATED IN A NONDISCRIMINATORY MANNER, RESUMPTION OF REGULAR AMERICAN-FLAG SERVICE CAN BE EXPECTED. RUSH

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